

## **FISCAL NOTE**

### **SB 475 - HB 530**

February 15, 2005

**SUMMARY OF BILL:** Creates an excise tax deduction equal to 75% of the value of charitable donations given to various non-profit entities when such entities use the donations to purchase goods and services on which state and local sales taxes are collected.

#### **ESTIMATED FISCAL IMPACT:**

##### **Increase State Revenues – \$100,000**

Assumptions:

- All donations are monetary.
- Deduction taken in the tax year in which qualified non-profit entity has certified to the taxpayer making the donation that it has spent the donation on sales-taxable goods and services.
- No significant increase in the number, or total dollar amount, of such donations since the majority of goods and services purchased by non-profit entities are sales tax-exempt.
- Future taxpayer donations (that would have otherwise been given as a traditional donation) are shifted to non-profit entity donations where the 75% deduction would apply.
- 5,000 taxpayers make donations.
- Average donation is \$1,000.
- Total donations shifted equal \$5,000,000.
- Total deductions from net earnings (or net losses) would be \$3,750,000 (\$5,000,000 X 75% deduction).
- Estimated decrease in state revenues from excise tax exemption is \$243,750 (\$3,750,000 deduction X 6.5% excise tax = \$243,750).
- Offsetting increase in state sales tax revenue of \$350,000 (\$5,000,000 X 7.0% = \$350,000) if current donations are shifted to non-profit entity donations where the 75% deduction would apply.
- Net fiscal impact is an increase in state revenue of approximately \$106,250 (\$350,000 – \$243,750 = \$106,250).

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



